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# CAMPBELL RED LAKE MINES LIMITED

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## Annual Report 1978



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## Annual Meeting

The Annual and General Meeting of Shareholders will be held at the Royal York Hotel, Room No. 3, Toronto, Ontario on Monday, May 7, 1979 at 2:30 p.m. (Toronto time).

It is recorded here that it is the intention of the present management to solicit proxies. The form of proxy and the information circular will accompany the Notice of Annual and General Meeting which is being mailed to all shareholders.

## Form 10-K

Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available to shareholders without charge by writing to Fraser M. Fell, Secretary of the Company, P.O. Box 30, Toronto-Dominion Centre, Toronto, Ontario, Canada M5K 1C1.

## Annual Report

Copies of the Annual Report of the Company are available without charge by writing to Suite 600, 365 Bay Street, Toronto, Ontario, Canada M5H 2V9.

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# Comparative Highlights

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		<b>1978</b>	<b>1977</b>
<b>Operating Summary</b>	Fine ounces of gold	183,546	191,031
	Tons milled	301,000	297,000
	Bullion revenue	\$42,138,000	\$31,045,000
	Net income	\$17,009,000	\$11,129,000
<b>Per Ounce</b>	Revenue	\$229.58	\$162.51
	Operating costs	\$63.44	\$55.80
<b>Financial Position</b>	Working capital	\$24,793,000	\$30,809,000
	Shareholders' equity	\$45,989,000	\$38,979,000
<b>Per Share</b>	Net income	\$2.13	\$1.39
	Dividends	\$1.25	\$0.85
<b>Statistical Data</b>	Number of employees	338	334
	Number of shareholders	6,725	6,697
	Shares outstanding	7,999,000	7,999,000



# Report of the Directors to the Shareholders

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For the year 1978 net income recorded by your company of \$17,009,000 or \$2.13 per share was at an all time high. The upturn in gold demand, which began in mid-1976, continued throughout the year and the London price increased from \$164.95 U.S. per ounce at the afternoon fixing on December 30, 1977 to close out the year at \$226.00 U.S. per ounce. Bullion revenue averaged \$229.58 Canadian per ounce of gold produced as compared to \$162.51 Canadian in 1977. This resulted mainly from increased gold sale prices in terms of U.S. dollars and also from the depreciation in the value of the Canadian dollar which decreased from 91.4¢ to 84.3¢ in terms of its U.S. counterpart during the year.

## Operations

Tonnage of ore produced was unchanged from the previous year, however a lower average grade of ore treated resulted in the production of 183,546 ounces of gold compared to 191,031 ounces in 1977.

Operating costs averaged \$38.75 per ton of ore produced, an increase of 8.1% from the previous year. Increased gold sale prices more than offset the decrease in ounces produced and the increase in unit costs. As a result, income from the mining operation increased from \$20,386,000 before taxes in 1977 to \$30,494,000 in the current year.

## Investments

During the year, your Company acquired 184,680 shares of Denison Mines Limited at a cost of \$12,590,000. This investment in a major uranium producer provides a further interest in energy resources and complements existing investments centered around the oil and gas industry represented by the holdings of Dome Petroleum Limited and Panarctic Oils Ltd. The Company received dividends of \$1,256,000 during 1978 from the investment in Denison. That company's regular quarterly dividend of \$0.60 per share was supplemented late in the year with a special one-time dividend of \$5.00 per share.

Campbell adopted a policy early in the year of investing a high proportion of its available funds in U.S. fixed deposits. In addition to attractive interest rates, the

decline throughout the year in the value of the Canadian dollar relative to U.S. currency resulted in exchange gains of \$880,000.

## Taxation

The level of taxation on the Company's mining operation continues to be of concern. At current operating profit levels, federal and provincial income taxes and the graduated mining tax combine to incur a marginal tax rate of 65% of earnings. Increased operating earnings could result in a marginal rate in excess of 70%. Taxes as a percentage of earnings, excluding investment income, for the year averaged 54.4% compared to 53.6% in 1977.

## Exploration

The Company continued to participate in the exploration program conducted by Dome Exploration (Canada) Limited. The main thrust of this program is centered in Canada with particular emphasis placed in the areas where the existing mines are located. An increasing proportion of activity is being directed to the United States including Alaska.

As of January 1, 1977 your Company participates as to 50% in all projects in Ontario and to the extent of 40% in all projects outside of Ontario and Quebec while retaining a 21% interest in all projects which commenced between January 1, 1969 and January 1, 1977.

During the year, exploration expenditures of the group totalled \$2,184,000. Of this amount, \$565,000 was expended in Ontario, \$864,000 elsewhere in Canada and \$755,000 in the United States. Work was carried out on 61 separate projects including 48 continued from the previous year. This work included 23,348 feet of exploration diamond drilling, the staking of 538 claims and the optioning from others of 219 claims. A total of 13 persons were permanently employed in the exploration division and they were augmented by additional field personnel during the most active periods of the exploration season.

No significant mineral discoveries were made as a result of the 1978 program. However, work on 48 of the above projects is incomplete and will be continued in 1979.



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## Dividends

Dividends totalling \$1.25 per share were declared during the 1978 fiscal year and included an extra dividend of \$0.60 per share. In addition, commencing with the fourth quarter of 1978, the regular quarterly dividend was increased from \$0.15 to \$0.20 per share.

## Outlook

Future gold prices are difficult to forecast as these are, at least in the short term, influenced significantly by political and economic events. However, the outlook for a continuing decrease in overall world production, the evidence of increasing industrial usage and an apparent growing recognition on the part of many of the central banks that gold does have an important role as a reserve asset suggest that the upward trend of gold prices will continue. Certainly for the first two months of 1979 the Company realized substantially higher sale prices than the average price obtained during 1978.

Management plans a significant increase in its outside exploration efforts in the coming year. At the present level of operating profits, exploration expenditures, particularly in the Province of Ontario, are largely offset by reductions in taxes.

With its strong financial base, your Company continues to consider investment opportunities in the mineral resource area.

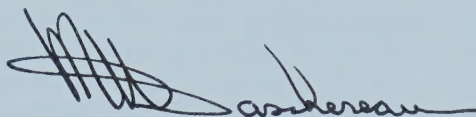
## Organization

During the year, Mr. James B. Redpath retired after serving with distinction as Chairman of the Board for the past two years and as President of the Company for an eighteen year period. His sound business judgement and dedication have contributed greatly to its success and growth over the years.

Mr. E. J. Andrecheck retired as Vice-President following many years of distinguished service with the Company.

Mr. C. H. Brehaut was appointed Vice-President, Operations, Mr. G. S. W. Bruce was appointed Vice-President, Exploration and Mr. H. D. Scharf was appointed Controller.

The Directors gratefully acknowledge the contribution and support of all employees of the Company.



M. A. Taschereau,  
Chairman and President.

March 2, 1979.

# Accounting Policies

December 31, 1978 and 1977

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The following is a summary of the principal accounting policies of Campbell Red Lake Mines Limited ("Campbell"). These policies are in conformity with generally accepted accounting principles in Canada and are also, in all material respects, in conformity with those generally accepted in the United States.

**A. Basis of accounting for Dome Petroleum Limited**

Campbell's parent company, Dome Mines Limited, owns 25% of the common shares of Dome Petroleum Limited and accounts for the investment by the equity method. Therefore, Campbell's investment of .8% of the common shares of Dome Petroleum Limited is also accounted for by the equity method whereby the company's investment is carried at cost plus its share of undistributed earnings since acquisition. The excess of the cost of this investment over the underlying book value at the various dates of acquisition is attributable to Dome Petroleum Limited's oil and gas reserves, and is being amortized to income by reference to annual production in relation to the estimated recoverable reserves.

**B. Valuation of inventories**

Bullion on hand and in transit is valued at its estimated net realizable value.

Mining and milling supplies are valued at cost determined on an average cost basis.

**C. Valuation of investments**

Except for the investment in Dome Petroleum Limited (A above), short-term commercial paper and marketable securities are valued at the lower of cost and market and other investments with a quoted market value are valued at cost. The investment in oil and gas properties is carried at cost (gross expenditure less the frontier exploration allowance incentive) pending the results of exploration on such properties. All other investments are carried at cost except for Panarctic Oils Ltd. (acquired for development work) which has, since January 1, 1973, been carried at the amount expended since that date (with the tax deduction arising as a result of writing these expenditures off for income tax purposes being included with deferred income taxes).

**D. Capital assets, depreciation and amortization**

Buildings, machinery and equipment are carried at cost. Depreciation on such assets is provided at the rate of 15% per annum on the straight-line method.

Mining claims, properties and townsite land are carried at cost less amounts written off and are being amortized at the rate of 15% per annum on the straight-line basis.

Upon sale or retirement, the cost of capital assets and the related depreciation or amortization are removed from the accounts and any gain or loss is taken into income.

Repairs and maintenance are charged to operations; major betterments and replacements are capitalized.

**E. Mine development and exploration**

All mine development, shaft sinking and exploration expenditures are charged against income as incurred.

**F. Income and mining taxes**

The company follows the tax allocation method of accounting. Under this method, timing differences between accounting income and the amount of income reported for tax purposes (which arise principally as a result of claiming depreciation and exploration at rates differing from those recorded in the accounts) result in provisions for deferred taxes.



# Statements of Income and Retained Earnings

Years Ended December 31, 1978 and 1977

## Statements of Income

Years Ended December 31, 1978 and 1977

	1978	1977
<b>Bullion revenue</b>	<u>\$42,138,000</u>	<u>\$31,045,000</u>
<b>Operating costs:</b>		
Development	1,854,000	1,627,000
Mining	4,418,000	4,045,000
Milling	2,635,000	2,479,000
Refining and marketing	209,000	218,000
General and administrative	1,648,000	1,410,000
Depreciation and amortization	880,000	880,000
	<u>11,644,000</u>	<u>10,659,000</u>
<b>Operating income</b>	<u>30,494,000</u>	<u>20,386,000</u>
<b>Other income (expense):</b>		
Dividends	1,256,000	
Interest	2,180,000	2,435,000
Foreign exchange	880,000	(50,000)
	<u>4,316,000</u>	<u>2,385,000</u>
	<u>34,810,000</u>	<u>22,771,000</u>
Outside exploration	<u>756,000</u>	<u>738,000</u>
Income before taxes and equity in earnings of Dome Petroleum Limited	<u>34,054,000</u>	<u>22,033,000</u>
<b>Income and mining taxes (note 4)</b>	<u>17,910,000</u>	<u>11,671,000</u>
Income after taxes, before equity in earnings of Dome Petroleum Limited	<u>16,144,000</u>	<u>10,362,000</u>
Equity in earnings of Dome Petroleum Limited (note 3)	<u>865,000</u>	<u>767,000</u>
<b>Net income for the year</b>	<u>\$17,009,000</u>	<u>\$11,129,000</u>
<b>Net income per share</b>	<u>\$2.13</u>	<u>\$1.39</u>

## Statements of Retained Earnings

Years Ended December 31, 1978 and 1977

	1978	1977
<b>Retained earnings, beginning of year</b>	\$37,358,000	\$33,028,000
<b>Net income for the year</b>	<u>17,009,000</u>	<u>11,129,000</u>
	<u>54,367,000</u>	<u>44,157,000</u>
Dividends (1978 — \$1.25 per share; 1977 — \$0.85 per share)	<u>9,999,000</u>	<u>6,799,000</u>
<b>Retained earnings, end of year</b>	<u>\$44,368,000</u>	<u>\$37,358,000</u>

(See accompanying notes to financial statements)

# Campbell Red Lake Mines Limited

(Incorporated under the laws of Ontario)

## Balance Sheets

December 31, 1978 and 1977

Assets	1978	1977
<b>Current assets:</b>		
Cash, including bank term deposits	\$31,743,000	\$15,684,000
Bullion (note 2)	6,298,000	4,351,000
Short-term commercial paper	3,300,000	13,905,000
Marketable securities (schedule)	1,592,000	1,792,000
Sundry receivables	591,000	577,000
Mining and milling supplies	1,927,000	1,926,000
	<u>45,451,000</u>	<u>38,235,000</u>
<b>Investments:</b>		
Dome Petroleum Limited (note 3)	5,273,000	4,408,000
Other (schedule)	15,190,000	2,524,000
	<u>20,463,000</u>	<u>6,932,000</u>
<b>Capital assets:</b>		
Buildings, machinery and equipment	12,782,000	12,270,000
Less accumulated depreciation	10,138,000	9,333,000
	<u>2,644,000</u>	<u>2,937,000</u>
Mining claims and properties	50,000	92,000
Townsite land	31,000	57,000
	<u>2,725,000</u>	<u>3,086,000</u>
	<u>\$68,639,000</u>	<u>\$48,253,000</u>

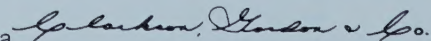
(See accompanying notes)

## Auditors' Report

To the Shareholders of  
Campbell Red Lake Mines Limited:

We have examined the balance sheets of Campbell Red Lake Mines Limited as at December 31, 1978 and 1977 and the statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and 1977 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis during the period.

Toronto, Canada,   
March 2, 1979. Chartered Accountants



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**Liabilities****1978****1977****Current liabilities:**

Accounts payable and accrued liabilities

\$ 991,000

\$ 1,036,000

Income and other taxes payable

13,268,000

3,190,000

Dividends payable

6,399,000

3,200,000

20,658,0007,426,000**Deferred income taxes**1,992,0001,848,000**Shareholders' Equity**

## Capital —

## Authorized:

8,000,000 shares of \$0.50 par value each

## Issued:

7,999,000 shares

4,000,000

4,000,000

Discount (net) on shares issued

2,379,000

2,379,000

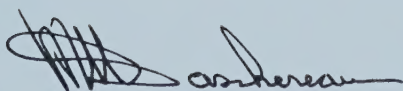
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Retained earnings

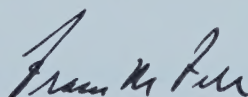
44,368,00037,358,00045,989,00038,979,000\$68,639,000\$48,253,000

financial statements)

On behalf of the Board:



Director



Director

# Statements of Changes in Financial Position

Years Ended December 31, 1978 and 1977

	1978	1977
<b>Source of working capital:</b>		
<b>Operations —</b>		
Net income for the year	\$17,009,000	\$11,129,000
<b>Items not affecting working capital:</b>		
Depreciation and amortization	880,000	880,000
Deferred income taxes	144,000	1,370,000
Equity in undistributed earnings of Dome Petroleum Limited	(865,000)	(767,000)
<b>Total</b>	<u>17,168,000</u>	<u>12,612,000</u>
<b>Disposition of working capital:</b>		
Dividends	9,999,000	6,799,000
Expenditures on capital assets	519,000	503,000
Investments	12,666,000	1,869,000
<b>Total</b>	<u>23,184,000</u>	<u>9,171,000</u>
<b>Net increase (decrease) in working capital for the year</b>	<u><u>\$ (6,016,000)</u></u>	<u><u>\$ 3,441,000</u></u>
<b>Changes in components of working capital:</b>		
Increase (decrease) in current assets —		
Cash and bank term deposits	\$16,059,000	\$ 4,807,000
Bullion	1,947,000	169,000
Short-term commercial paper	(10,605,000)	153,000
Marketable securities	(200,000)	(800,000)
Sundry receivables	14,000	(256,000)
Mining and milling supplies	1,000	310,000
	<u>7,216,000</u>	<u>4,383,000</u>
Increase (decrease) in current liabilities —		
Accounts payable and accrued liabilities	(45,000)	73,000
Income and other taxes payable	10,078,000	69,000
Dividends payable	3,199,000	800,000
	<u>13,232,000</u>	<u>942,000</u>
<b>Net increase (decrease) in working capital for the year</b>	<u>(6,016,000)</u>	<u>3,441,000</u>
<b>Working capital, beginning of year</b>	<u>30,809,000</u>	<u>27,368,000</u>
<b>Working capital, end of year</b>	<u><u>\$24,793,000</u></u>	<u><u>\$30,809,000</u></u>

(See accompanying notes to financial statements)



# Schedules of Marketable Securities and Other Investments

December 31, 1978 and 1977

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	1978		1977	
	Book value	Market value	Book value	Market value
<b>Marketable securities:</b>				
Government bonds	\$ 587,000	\$ 587,000	\$ 587,000	\$ 601,000
Corporate bonds	1,005,000	1,005,000	1,205,000	1,228,000
	<u>\$ 1,592,000</u>	<u>\$ 1,592,000</u>	<u>\$ 1,792,000</u>	<u>\$ 1,829,000</u>
 <b>Other investments:</b>				
With a quoted market value —				
Denison Mines Limited, common shares (1978 — 184,680; 1977 — nil)	\$12,590,000	<u>\$13,666,000</u>		
With no quoted market value —				
Panarctic Oils Ltd., common shares (1978 — 181,662; 1977 — 177,827)	594,000		\$ 494,000	
Oil and gas properties	1,840,000		1,840,000	
Sundry	166,000		190,000	
	<u>\$15,190,000</u>		<u>\$2,524,000</u>	

(See accompanying notes to financial statements)

# Notes to Financial Statements

December 31, 1978 and 1977

## 1. Accounting policies

The principal accounting policies followed by the company are summarized under the caption "Accounting Policies" (page 4).

## 2. Bullion

Bullion on hand and in transit is valued at \$233 per ounce (1977 — \$162 per ounce).

## 3. Investment in Dome Petroleum Limited

Details of the investment in Dome Petroleum are as follows:

	1978	1977
Number of common shares	100,000	100,000
Carrying value:		
Cost of acquisition	\$2,768,000	\$2,768,000
Equity in undistributed earnings	2,505,000	1,640,000
	<u>\$5,273,000</u>	<u>\$4,408,000</u>
Market value (which is not necessarily indicative of realizable value)	<u>\$9,525,000</u>	<u>\$5,963,000</u>

The unamortized excess of cost of investment over the underlying book value at the various dates of acquisition is \$1,274,000 (1977 — \$1,378,000).

## 4. Income and mining taxes

(a) The provision for income and mining taxes consists of:

	1978		1977	
	Current	Deferred	Current	Deferred
Federal income tax	\$ 8,929,000	\$ 98,000	\$ 4,780,000	\$ 1,170,000
Provincial income tax	2,882,000	46,000	1,650,000	200,000
Provincial mining tax	5,955,000		3,871,000	
	<u>\$17,766,000</u>	<u>\$ 144,000</u>	<u>\$10,301,000</u>	<u>\$ 1,370,000</u>

(b) Income and mining taxes for 1978 on all sources of income are provided at a combined federal and provincial effective rate of 52.6%, a decrease of 0.4% from 53.0% in 1977.



The difference between the combined federal and provincial basic statutory rate and that used in calculating the provision for income and mining taxes is made up as follows:

	<b>1978</b>		<b>1977</b>	
	On operating income less outside exploration	On other income	On operating income less outside exploration	On other income
Income taxes —				
Basic statutory rate (combined)	<u>48.8%</u>	<u>48.8%</u>	<u>48.0%</u>	<u>48.0%</u>
Less:				
Resource allowance	7.0		7.0	
Depletion	4.5		5.5	
Exempt income*		9.0		
Sundry	<u>2.9</u>		<u>1.6</u>	
	<u>14.4</u>	<u>9.0</u>	<u>14.1</u>	
Effective rate	<u>34.4</u>	<u>39.8</u>	<u>33.9</u>	
Mining taxes — average rate	<u>20.0</u>		<u>19.7</u>	
Combined income and mining tax rate	<u>54.4%</u>	<u>39.8%</u>	<u>53.6%</u>	<u>48.0%</u>

\* Principally dividends from Canadian corporations.

## 5. Quarterly financial data

Summarized quarterly financial data for 1978 and 1977 are as follows (unaudited):

	<b>Quarter ended</b>			
	<u>March 31</u>	<u>June 30</u>	<u>Sept. 30</u>	<u>Dec. 31</u>
	<i>(in thousands except per share)</i>			
<b>1978</b>				
Bullion revenue	<u>\$ 9,239</u>	<u>\$ 7,936</u>	<u>\$13,377</u>	<u>\$11,586</u>
Operating income	<u>\$ 6,531</u>	<u>\$ 5,183</u>	<u>\$10,329</u>	<u>\$ 8,451</u>
Net income	<u>\$ 3,600</u>	<u>\$ 2,797</u>	<u>\$ 5,256</u>	<u>\$ 5,356</u>
Net income per share	<u>\$0.45</u>	<u>\$0.35</u>	<u>\$0.66</u>	<u>\$0.67</u>
<b>1977</b>				
Bullion revenue	<u>\$ 6,893</u>	<u>\$ 7,350</u>	<u>\$ 8,156</u>	<u>\$ 8,646</u>
Operating income	<u>\$ 4,394</u>	<u>\$ 4,703</u>	<u>\$ 5,519</u>	<u>\$ 5,770</u>
Net income	<u>\$ 2,560</u>	<u>\$ 2,422</u>	<u>\$ 3,124</u>	<u>\$ 3,023</u>
Net income per share	<u>\$0.32</u>	<u>\$0.30</u>	<u>\$0.39</u>	<u>\$0.38</u>

## 6. Remuneration of directors and officers

The total remuneration paid in respect of 1978 by the company to its directors and senior officers (defined by The Business Corporations Act, Ontario, 1970 to include the five highest paid employees) amounted to \$261,000 (1977 — \$202,000).

During 1978, the mill produced 183,546 ounces of gold as compared to 191,031 ounces in 1977. The tonnage treated increased from 297,248 tons to 300,502 tons, but the grade dropped from 0.688 to 0.653 ounces per ton.

Bullion revenue increased to \$229.58 Canadian per ounce in 1978 from \$162.51 in 1977. Operating costs per ounce were \$63.44 and \$55.80 respectively for the two years.

Total operating costs were \$38.75 per ton milled in 1978, an increase of 8.1% over 1977. No major changes were made in the type of mining and the increase in costs is largely the result of higher wage rates and costs of purchased services and supplies. Unit costs per ton are detailed below by principal activity:

	1978	1977
Development	\$ 6.17	\$ 5.47
Mining	14.70	13.61
Milling	8.77	8.34
Other	9.11	8.44
	<u>\$38.75</u>	<u>\$35.86</u>

## Development

The level of activity in drifting and crosscutting was maintained in 1978 with 6,777 feet being completed. The majority of the work was directed to extending known ore zones and investigating low grade potential in the upper levels of the mine. In addition, a major drifting program is underway on the 21st level for the purpose of providing drill stations for wide spaced diamond drill coverage of the property to the north and west. During the year, 7,410 feet of diamond drilling was completed as part of this program. While a number of interesting geological sections have been encountered, no new major ore zones have been discovered.

Raising activity diminished by 23% during 1978 due to a shortage of experienced raise miners. This problem has been corrected and at year end the number of crews was back to the planned level.

In total, diamond drilling activity was increased by 40% in 1978 to 50,010 feet as compared to 35,553 feet in 1977. Most of the increase was in drilling above the 21st level in untested areas adjacent to the known zones. The results, in general, were encouraging but more work is required before the reserve potential can be determined.

Details of development and diamond drilling completed during the year are presented in Table I.

**TABLE I**

Level	Development Footage				Diamond Drilling Footage
	Drifts and Crosscuts	Raises	Slashes	Total	
2nd	—	80	79	159	541
3rd	123	—	7	130	1,910
4th	819	133	259	1,211	3,672
5th	—	139	8	147	5,224
6th	—	19	31	50	3,562
7th	—	74	9	83	1,756
8th	—	—	—	—	867
9th	—	—	—	—	1,242
10th	578	195	169	942	1,877
11th	844	315	135	1,294	1,477
12th	—	—	—	—	2,070
13th	8	131	19	158	2,993
14th	423	—	301	724	4,993
15th	107	260	15	382	2,081
16th	228	—	110	338	214
17th	107	185	24	316	2,801
18th	—	—	4	4	1,162
19th	974	—	175	1,149	2,211
20th	58	—	45	103	1,947
21st	2,508	—	301	2,809	7,410
Total 1978	<u>6,777</u>	<u>1,531</u>	<u>1,691</u>	<u>9,999</u>	<u>50,010</u>
Total 1977	<u>6,393</u>	<u>2,002</u>	<u>1,757</u>	<u>10,152</u>	<u>35,553</u>

## Ore Reserves

Proven ore reserves as of December 31, 1978 were estimated to be 1,899,200 tons at an average grade of 0.664 ounces per ton. This represents an increase of 43,500 tons during the year. A summary of ore in place, broken ore and total extraction by level is shown in Table II.

## Mining

The mine hoisted 300,502 tons of ore in 1978 of which 276,502 tons were primary stope production and 24,000 tons were from development. The stoping and development grades were 0.685 and 0.281 ounces per ton respectively and the average grade hoisted was 0.653 ounces per ton. Waste rock hoisted during the year totalled 25,618 tons which was used for tailings dam construction and road maintenance.

Production was obtained from stopes located between the 2nd and 21st levels. In 1978, stope ore was produced



from the 21st level for the first time. The distribution of ore by mining method for the past two years is as follows:

	1978	1977
Cut-and-fill	28%	24%
Shrinkage	64	66
Development	8	10
	<u>100%</u>	<u>100%</u>

During the year, 44,130 tons of classified mill tailings were placed underground as stope fill.

### Mill

In general, the mill operated satisfactorily during the year. Continued improvement in gold recovery was achieved as a result of efforts directed towards improving the efficiency of the flotation tails circuit over the past three years. Comparable results for the last two years are presented below:

	1978	1977
Tons per day	823	814
Tons treated	300,502	297,248
Grade treated — oz./ton	0.653	0.688
Recovered grade — oz./ton	0.611	0.643
Recovery	93.5%	93.3%

**TABLE II**

Level	Ore Reserves			Cumulative Tons Extracted
	Tons In Place	Average Grade (oz./ton)	Tons Broken Ore	
1st	1,600	0.534	—	260,004
2nd	4,500	0.534	300	348,230
3rd	8,400	0.583	2,600	419,246
4th	17,700	0.597	1,800	557,221
5th	42,800	0.486	16,700	639,798
6th	70,600	0.705	4,200	565,269
7th	42,600	0.605	18,000	765,122
8th	35,500	0.600	400	744,523
9th	33,700	0.715	1,900	551,565
10th	68,300	0.671	11,700	493,653
11th	82,000	0.864	20,100	249,989
12th	114,700	0.742	26,300	186,411
13th	194,600	0.745	100	154,293
14th	193,100	0.690	3,000	205,371
15th	182,000	0.692	22,100	166,877
16th	164,700	0.711	6,000	32,993
17th	202,000	0.605	300	12,085
18th	158,900	0.568	1,000	22,063
19th	57,700	0.610	800	10,404
20th	47,400	0.551	300	12,565
21st	38,600	0.534	200	1,538
Total Dec. 31, 1978	<u>1,761,400</u>	<u>0.664</u>	<u>137,800</u>	<u>6,399,220</u>
Total Dec. 31, 1977	<u>1,730,100</u>	<u>0.673</u>	<u>125,600</u>	<u>6,122,718</u>

### Capital Expenditures

Capital expenditures for the year totalled \$519,000 as compared to \$503,000 in 1977. Major expenditures were \$148,000 for the construction of three houses and the remodelling of another, and \$70,000 was spent for the construction of arsenic trioxide load-out facilities.

Expenditures by area of activity are noted below:

	1978	1977
Mine	\$ 99,000	\$ 89,000
Mill	225,000	224,000
Surface	195,000	190,000
	<u>\$519,000</u>	<u>\$503,000</u>

### General

Negotiations were concluded during 1978 for the sale of 800 to 1,000 tons per year of arsenic trioxide for a five year period. Shipments are expected to start on a regular basis early in 1979. This sale will significantly reduce the amount of arsenic that requires storage underground at the property.

During the year the mine was presented a special Award of Merit from the John T. Ryan Committee for "Notable Achievement in Safe Mining". This was in recognition of Campbell's excellent safety record in 1977 when only 5 compensable accidents occurred. Unfortunately, 1978's record was not as outstanding with 18 accidents being recorded. While this level is close to the industry norm, the target for 1979 is a return to past frequency levels. Experience during the first part of 1979 is encouraging.

With regard to the environment, Campbell continues to operate well within the maximum emission levels established by federal and provincial government agencies.

Nine employees were inducted into the Quarter Century Club, bringing total membership to twenty-seven.

At year end, 338 employees were on the payroll, a net increase of four since the end of 1977. Payments for wages and salaries and other major items are listed below:

Wages and salaries	\$ 6,106,000
Supplies and services	\$ 5,429,000
Income and mining taxes	\$ 17,910,000

In conclusion, I wish to record my sincere appreciation to Mr. Allan Ludwig, General Superintendent, heads of the operating departments and to all employees for their cooperation, efficiency and loyalty.

STEWART M. REID  
Manager

March 2, 1979

## Dividends

The dividends declared in Canadian dollars on the Company's shares for each quarterly period during 1978 and 1977 are shown below.

	1978			1977		
	Regular	Extra	Total	Regular	Extra	Total
First Quarter	\$0.15		\$0.15	\$0.15		\$0.15
Second Quarter	0.15		0.15	0.15		0.15
Third Quarter	0.15		0.15	0.15		0.15
Fourth Quarter	0.20	\$0.60	0.80	0.15	\$0.25	0.40
Total for the year	<u>\$0.65</u>	<u>\$0.60</u>	<u>\$1.25</u>	<u>\$0.60</u>	<u>\$0.25</u>	<u>\$0.85</u>

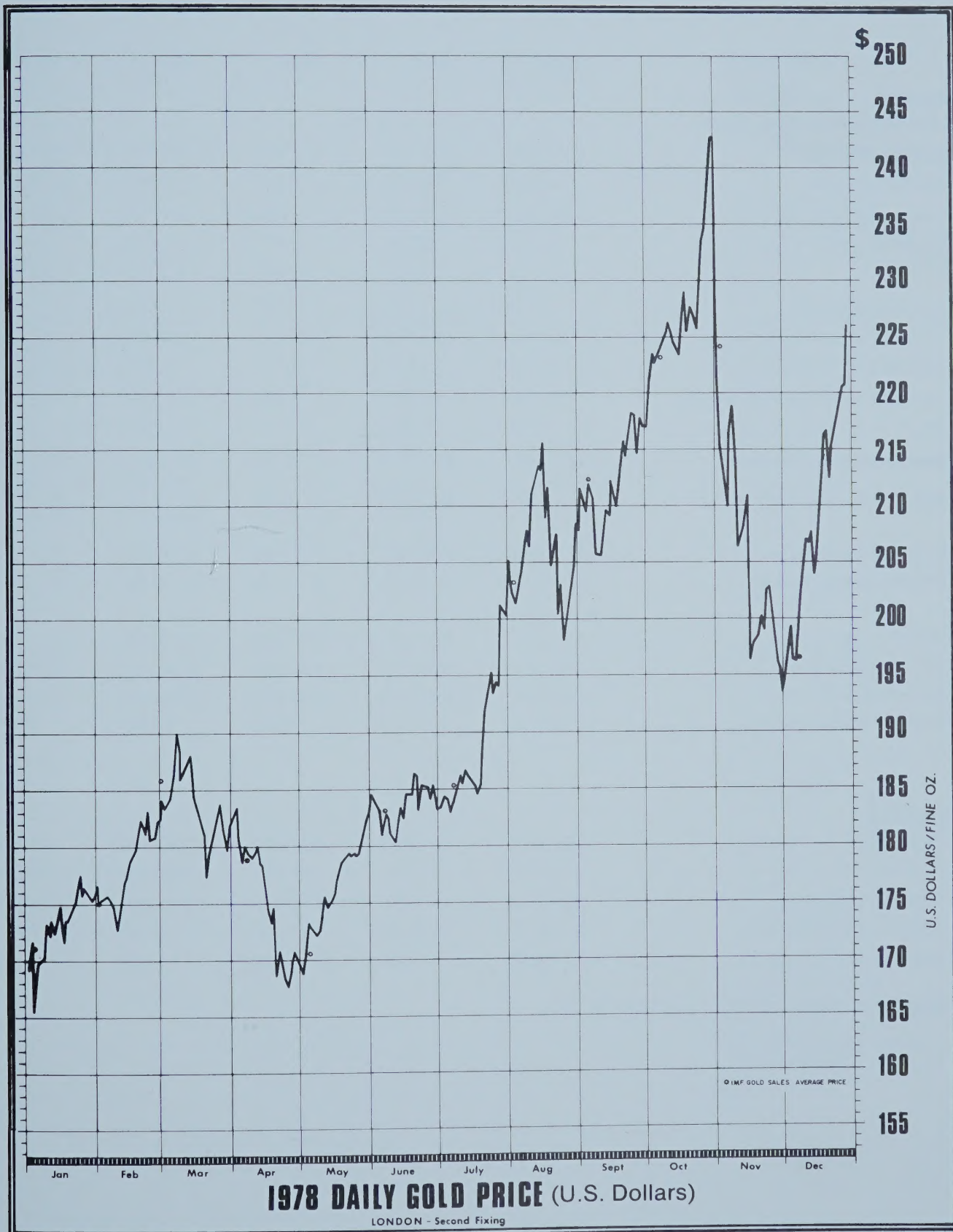
## Principal Markets for Company's Shares

The New York Stock Exchange and The Toronto Stock Exchange are the principal markets in which the Company's shares are traded (Stock symbol: CRK). Shown below are the high and low sale prices for the Company's shares on these exchanges for the periods indicated.

New York Stock Exchange (United States Dollars)	1978		1977	
	High	Low	High	Low
First Quarter	\$38½	\$29¾	\$30⅝	\$23
Second Quarter	34⅞	27⅞	28⅞	23¼
Third Quarter	40½	32⅞	31⅞	25½
Fourth Quarter	40⅞	25¾	35½	29½

Toronto Stock Exchange (Canadian Dollars)	1978		1977	
	High	Low	High	Low
First Quarter	\$42	\$33½	\$32¼	\$23
Second Quarter	38	31½	30	25
Third Quarter	47	36⅞	33¾	27¼
Fourth Quarter	47¾	31	39	33





# Five Year Review

	1978	1977	1976	1975	1974
<b>Financial</b>					
(in thousands except per share)					
<b>Bullion Revenue</b>	\$42,138	\$31,045	\$22,870	\$29,467	\$31,895
Operating costs	11,644	10,659	9,475	8,083	6,443
Operating income	30,494	20,386	13,395	21,384	25,452
Other income	4,316	2,385	2,474	1,847	1,767
	34,810	22,771	15,869	23,231	27,219
Outside exploration	756	738	654	530	377
Income before the following	34,054	22,033	15,215	22,701	26,842
Income and mining taxes	17,910	11,671	8,012	11,640	12,871
Income before equity of affiliate	16,144	10,362	7,203	11,061	13,971
Equity in earnings of affiliate	865	767	370	305	121
<b>Net Income for the Year</b>	<u>\$17,009</u>	<u>\$11,129</u>	<u>\$ 7,573</u>	<u>\$11,366</u>	<u>\$14,092</u>
<b>Net Income per Share*</b>	<u>\$ 2.13</u>	<u>\$ 1.39</u>	<u>\$ 0.95</u>	<u>\$ 1.42</u>	<u>\$ 1.76</u>
Dividends declared	\$ 9,999	\$ 6,799	\$ 7,199	\$ 4,799	\$ 5,999
<b>Dividends per Share*</b>	\$ 1.25	\$ 0.85	\$ 0.90	\$ 0.60	\$ 0.75
Working capital	\$24,793	\$30,809	\$27,368	\$27,548	\$21,773
Shareholders' equity	\$45,989	\$38,979	\$34,649	\$34,275	\$27,708
Shares outstanding	7,999,000	7,999,000	7,999,000	7,999,000	7,999,000
Number of shareholders	6,725	6,697	7,396	6,850	6,723
<b>Operating</b>					
Tons milled	301,000	297,000	301,000	300,000	290,000
Fine ounces	183,546	191,031	184,610	185,228	197,369
Revenue per ounce	\$229.58	\$162.51	\$123.88	\$159.09	\$161.60
Operating cost per ton	\$ 38.75	\$ 35.86	\$ 31.53	\$ 26.98	\$ 22.23
Number of employees	338	334	342	315	313

\* Restated to reflect the 2 for 1 split May 10, 1974.



## Directors

**Malcolm A. Taschereau,**  
Chairman and President,  
Toronto, Ontario  
President, Dome Mines Limited

**Fraser M. Fell, Q.C.,**  
Secretary,  
Toronto, Ontario  
Partner, Fasken & Calvin

\***William F. James,**  
Toronto, Ontario  
Partner, James & Buffam

\***John K. McCausland,**  
Toronto, Ontario  
Retired Vice-President,  
Wood Gundy Limited

\***James S. Redpath,**  
North Bay, Ontario  
President,  
J. S. Redpath Limited

\* Member of the Audit Committee

## Officers

**Malcolm A. Taschereau,**  
Chairman and President

**C. Henry Brehaut,**  
Vice-President, Operations

**G. S. Wallace Bruce,**  
Vice-President, Exploration

**Fraser M. Fell, Q.C.,**  
Secretary

**John H. Hough,**  
Assistant Secretary

**Robert B. Hutchison,**  
Treasurer

**H. Douglas Scharf,**  
Controller

**Stewart M. Reid,**  
Manager

**Allan H. Ludwig,**  
General Superintendent

### Head Office

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### Location of Mine

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### Registrars

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The Toronto-Dominion Bank Trust  
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45 Wall Street,  
New York, N.Y. 10005

### Transfer Agents

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M5H 2P4

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### General Counsel

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